Annual Report and Accounts 2019

Financial and Business Review

1 Underlying Income Statement and reconciliation to IFRS

in EUR `000	FY 2019	FY 2018	% Change
Group revenue	3,383,425	3,435,422	(1.5)%
Underlying EBITDA[1]	307,508	301,822	1.9%
Underlying EBITDA margin	9.1%	8.8%	30 bps
Depreciation	(137,584)	(136,886)	(0.5)%
Underlying EBITA[1]	169,924	164,936	3.0%
Joint ventures underlying profit, net of interest and tax	27,555	22,755	21.1%
Underlying EBITA including joint ventures	197,479	187,691	5.2%
Finance cost, net	(50,723)	(73,568)	31.1%
Hybrid instrument dividend	(38,902)	(32,057)	(21.4)%
Underlying pre-tax profits	107,854	82,066	31.4%
Income tax	(33,540)	(32,449)	(3.4)%
Underlying net profit[1]	**74,314**	**49,617**	**49.8%**
Underlying diluted EPS (cent)[2]	**9.0**	**11.9**	**(24.4)%**

1 See glossary in section 20 for definitions of financial terms and references used in the financial and business review.

2 The 31 July 2019 weighted average number of ordinary shares used to calculate underlying earnings per share is 822,720,246 (2018: 416,289,541). Comparatives have been restated to include the effect of the bonus issue of shares pursuant to the November 2018 rights issue.

in EUR `000	FY 2019	FY 2018
Underlying EBITDA	307,508	301,822
Depreciation	(120,758)	(119,850)
ERP amortisation	(16,826)	(17,036)
Underlying EBITA	169,924	164,936
Amortisation of other intangible assets	(135,872)	(155,642)
Net loss on disposal of businesses and impairment of disposal groups held-for-sale	(6,988)	(183,316)
Impairment of goodwill	–	(175,000)
Net loss on fixed asset disposals and impairments	(4,787)	(4,467)
Restructuring-related costs	(17,143)	(69,825)
IFRS operating profit/(loss)	5,134	(423,314)
Share of profit after interest and tax of joint ventures	27,629	15,156
Net gain on disposal of joint venture	–	1,468
Finance cost, net	(50,723)	(73,568)
RCF termination costs	–	(12,415)
Loss before income tax	(17,960)	(492,673)
Income tax (charge)/credit	(11,190)	22,697
IFRS loss for the year	**(29,150)**	**(469,976)**
Hybrid instrument dividend	(38,902)	(32,057)
Loss used to determine basic EPS	(68,052)	(502,033)
IFRS diluted loss per share (cent)[3]	**(8.3) cent**	**(121.0) cent**

3 The 31 July 2019 weighted average number of ordinary shares used to calculate IFRS diluted loss per share is 822,613,220 (2018: 415,040,772). Comparatives have been restated to include the effect of the bonus issue of shares pursuant to the November 2018 rights issue.

Financial and Business Review (continued)

2 Organic revenue

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
Revenue	**1,713.3**	**1,397.9**	**272.2**	**3,383.4**
Organic movement	**1.9%**	**(3.8)%**	**8.9%**	**0.0%**
Disposals movement	(1.8)%	(4.8)%	–	(2.9)%
Currency movement	0.1%	3.8%	(2.9)%	1.4%
Total revenue movement	**0.2%**	**(4.8)%**	**6.0%**	**(1.5)%**

Quarterly organic revenue

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
ARYZTA Europe					
Volume %	(0.1)%	1.4%	0.7%	(3.3)%	(0.3)%
Price/Mix %	2.1%	0.5%	3.7%	2.7%	2.2%
Organic movement %	**2.0%**	**1.9%**	**4.4%**	**(0.6)%**	**1.9%**
ARYZTA North America					
Volume %	(2.1)%	(1.7)%	(4.9)%	(12.5)%	(5.1)%
Price/Mix %	(0.7)%	0.8%	1.1%	4.5%	1.3%
Organic movement %	**(2.8)%**	**(0.9)%**	**(3.8)%**	**(8.0)%**	**(3.8)%**
ARYZTA Rest of World					
Volume %	6.1%	2.0%	3.3%	6.0%	4.4%
Price/Mix %	1.6%	3.7%	5.6%	7.7%	4.5%
Organic movement %	**7.7%**	**5.7%**	**8.9%**	**13.7%**	**8.9%**
ARYZTA Group					
Volume %	(0.6)%	0.1%	(1.4)%	(6.3)%	(2.0)%
Price/Mix %	0.9%	0.9%	2.7%	3.8%	2.0%
Organic movement %	**0.3%**	**1.0%**	**1.3%**	**(2.5)%**	**0.0%**

Financial and Business Review (continued)

3 Segmental Underlying EBITDA

in EUR `000	FY 2019	FY 2018	% Change	Underlying EBITDA Margin FY 2019	Underlying EBITDA Margin FY 2018	Change
ARYZTA Europe	167,705	171,977	(2.5)%	9.8%	10.1%	(30) bps
ARYZTA North America	97,993	89,902	9.0%	7.0%	6.1%	90 bps
ARYZTA Rest of World	41,810	39,943	4.7%	15.4%	15.6%	(20) bps
ARYZTA Underlying EBITDA	**307,508**	**301,822**	**1.9%**	**9.1%**	**8.8%**	**30 bps**

4 Our business

ARYZTA is the world's leading global, frozen B2B baking solutions provider, operating in the frozen bakery segment of the overall bakery market. ARYZTA's customer channels consist of a mix of large retail, convenience and independent retail, Quick Service Restaurants ('QSR') and other foodservice categories.

Total revenue decreased by (1.5)% to €3.4bn during the year ended 31 July 2019, due to disposals reducing revenue by (2.9)% and currency positively impacting revenue by 1.4%. Organic revenue was flat, with positive price/mix impact of 2.0% offsetting volume losses of (2.0)%.

ARYZTA North America organic revenue declined by (3.8)%, driven primarily by volume losses, while ARYZTA Europe experienced 1.9% organic revenue growth, driven by increases in price/mix, and ARYZTA Rest of World organic revenue grew by 8.9%, driven by both increases in price/mix and volume.

Group Underlying EBITDA for the year ended 31 July 2019 was €307.5m, which represents an increase of 1.9% compared to the prior year ended 31 July 2018, while EBITDA margins increased by 30 bps to 9.1%.

The results for the year ended 31 July 2019 were consistent with the Group's focus on revenue and earnings stability and represent a step towards delivery of a multi-year turnaround commitment. The business is developing a united cohesive group, with a singular focus on core strengths within a growing frozen B2B bakery market, through both Project Renew, intended to enhance operating efficiency and competitive positioning of ARYZTA, and with the re-organisation of existing management structures and the disposal of non-core assets.

5 ARYZTA Europe

ARYZTA Europe has leading market positions in the frozen B2B bakery markets in Germany, Switzerland, France, Ireland, the UK, the Netherlands, Hungary, Poland, Denmark, Spain, Sweden, Romania and other European countries.

ARYZTA Europe revenue increased by 0.2% to €1,713.3m during the year ended 31 July 2019. Organic revenue growth of 1.9% was a result of a 2.2% benefit from ongoing price/mix improvement, reflecting recovery of cost inflation and a focus on margin improvement, offset by (0.3)% decrease in volumes.

Financial and Business Review (continued)

There were positive revenue performances across Switzerland, France, Poland and Hungary, while trading was flat in Germany, despite the impact of insourcing. Favourable currency movements impacted revenue by 0.1%, while the disposal of businesses in Ireland during January 2018 and two bakeries during FY19 resulted in a (1.8)% revenue decline.

ARYZTA Europe Underlying EBITDA for the year ended 31 July 2019 was €167.7m, which represents a decrease of (2.5)% compared to the prior year ended 31 July 2018, while EBITDA margins decreased by (30) bps to 9.8%, primarily in connection with the decreased margins on partial pass through of increased raw materials and logistics costs, and lower operating leverage following customer insourcing. There was H2-19 EBITDA margin progression of 40 bps versus H1-19, due primarily to the initial benefits seen from Project Renew.

As detailed in Section 9 on page 14 and 15, during the year ARYZTA Europe recorded a loss on disposal of businesses of €5.0m, and a loss of €1.8m on impairment and disposal of fixed assets and investment properties. In addition, ARYZTA Europe incurred €10.2m of other restructuring-related costs, primarily severance and staff-related costs and advisory and other costs, incurred as a direct result of rationalisation and consolidation of management functions across the region as part of Project Renew.

6 ARYZTA North America

ARYZTA North America is a leading player in the frozen B2B bakery markets in the United States and Canada. It has a diversified customer base, including multiple retail, restaurants, catering, hotels, leisure, hospitals, military, fundraising and QSRs. ARYZTA North America is a leader in high-value artisan bakery via La Brea Bakery, which focuses on the premium branded bakery segment.

ARYZTA North America revenue declined by (4.8)% to €1,397.9m during the year ended 31 July 2019. Organic revenue declined by (3.8)%, with positive price/mix of 1.3% partially offsetting volume declines of (5.1)%.

Trading during the year remained challenging across both the Retail and Other Foodservice channels, while revenues from the QSR channel were stable over the year. Favourable currency movements supported revenue by 3.8%, while the disposal of the Cloverhill Chicago and Cicero bakeries negatively impacted revenue by (4.8)%.

ARYZTA North America Underlying EBITDA for the year ended 31 July 2019 was €98.0m, which represents an increase of 9.0% compared to the prior year ended 31 July 2018, while EBITDA margins increased 90 bps to 7.0%. These movements were driven by early benefits from Project Renew, with a significant de-layering of management leading to significant SG&A savings, together with bakery-level efficiency gains, and a sustained focus on cost control. The business remains focused on stabilising performance through a clear focus on customer relationships, customer pipeline and improved operating efficiency.

As detailed in Section 9 on page 14 and 15, during the year ARYZTA North America recorded a loss on the finalisation of the disposal of the Cloverhill businesses of €2.0m, as well as €3.0m of other fixed asset impairments. In addition, ARYZTA North America incurred €6.9m of other restructuring-related costs, primarily related to severance and staff-related costs, and advisory and other costs, incurred as a direct result of

Financial and Business Review (continued)

consolidation of bakeries and rationalisation of management functions during the year as part of Project Renew.

7 ARYZTA Rest of World

ARYZTA's operations in the Rest of World primarily includes businesses in Brazil, Australia, Japan, Malaysia, Singapore, New Zealand and Taiwan. While representing only 8% of total Group revenue and 13.6% of total Group Underlying EBITDA, these locations provide attractive future growth opportunities and have importance as suppliers to our global QSR customers.

ARYZTA Rest of World revenue increased by 6.0% to €272.2m during the year ended 31 July 2019. Organic revenue increased by 8.9%, as a result of strong 4.4% volume growth with global strategic customers, as well as others across the region, combined with positive price/mix of 4.5%. Unfavourable currency movements reduced revenue by (2.9)%.

ARYZTA Rest of World Underlying EBITDA for the year ended 31 July 2019 was €41.8m, which represents a 4.7% overall increase, while Underlying EBITDA margins decreased by 20 bps to 15.4%.

Financial and Business Review (continued)

8 Joint ventures

ARYZTA owns a 47.8% interest in Picard, which operates an asset-light B2C platform focused on premium speciality food. Picard is located primarily in France, is separately managed and has separately funded debt structures, which are non-recourse to ARYZTA.

While Picard is not considered part of ARYZTA's long-term strategy, disposal of the Group's investment is currently only possible with agreement of both joint venture partners. Therefore, for FY19 the Group's investment continues to be accounted on a historical cost basis using the equity method of accounting, rather than at recoverable value as an asset held-for-sale.

As announced on 4 October 2019, subsequent to the end of the financial year, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43.3% of its 47.8% holding in Picard for gross consideration of €156m. ARYZTA retains a 4.5% interest in Picard, to be recorded as a financial investment at fair value. The transaction is subject to customary regulatory approvals and a works council consultation process in France and is expected to close in the last quarter of calendar year 2019.

Picard had revenue of €1,422.8m during the year ended 31 July 2019 and delivered an underlying contribution to ARYZTA of €27.6m, after interest and tax. The retail environment in France is challenging, however Picard remains well positioned as the leading frozen food retailer in France.

During the prior year ended 31 July 2018, ARYZTA received dividends from Picard totalling €91.0m.

During March 2018, the Group sold its 50% interest in Signature Flatbreads for net proceeds of €34.9m, which resulted in a net gain on disposal of €1.5m, compared to the Group's carrying value of €32.8m, and associated cumulative foreign currency translation reserve losses of €0.6m since the initial investment. Signature Flatbreads is therefore no longer included within results from joint ventures for the year ended 31 July 2019.

in EUR `000	**Picard FY 2019**	Picard FY 2018	**Signature FY 2019**	Signature FY 2018	**Total FY 2019**	Total FY 2018
Revenue	**1,422,772**	1,449,671	–	83,844	**1,422,772**	1,533,515
Underlying EBITDA	**194,434**	207,272	–	11,689	**194,434**	218,961
Underlying EBITDA margin	**13.7%**	14.3%	–	13.9%	**13.7%**	14.3%
Depreciation	**(30,858)**	(31,201)	–	(3,299)	**(30,858)**	(34,500)
Underlying EBITA	**163,576**	176,071	–	8,390	**163,576**	184,461
Finance cost, net	**(57,415)**	(84,984)	–	(260)	**(57,415)**	(85,244)
Pre-tax profit	**106,161**	91,087	–	8,130	**106,161**	99,217
Income tax	**(48,479)**	(50,868)	–	(1,769)	**(48,479)**	(52,637)
Joint venture underlying net profit	**57,682**	40,219	–	6,361	**57,682**	46,580
ARYZTA's share of JV underlying net profit	**27,555**	19,575	–	3,180	**27,555**	22,755

Financial and Business Review (continued)

9 Impairment, disposal and restructuring

During May 2018, the Group announced Project Renew, a three year cumulative €200m restructuring and cost reduction plan aimed at restoring financial flexibility and aligning our asset and cost base with current and expected business conditions.

In order to deliver these cost savings, the Group expects an overall investment of €150m, with approximately €100m of the investment dedicated to capital investment and the remaining €50m for restructuring-related costs.

During the year ended 31 July 2019, Project Renew has delivered €26m of benefits, with a run-rate of €40m of annualised savings, in-line with the level of savings expected during these initial stages of the programme. These benefits relate primarily to improvements in the operating model through European operating model headcount reductions, significant management de-layering in North America, as well as manufacturing efficiency gains within bakery operations, and procurement and supply chain optimisation across both segments.

During the year ended 31 July 2019, the Group incurred the following amounts related to impairment, disposal and restructuring:

in EUR `000	Impairment/ Disposal FY 2019	Restructuring FY 2019	Total FY 2019	Total FY 2018
Net loss on disposal of businesses and impairment of disposal groups held for sale	(6,988)	–	**(6,988)**	(183,316)
Impairment of goodwill	–	–	**–**	(175,000)
Impairment and disposal of fixed assets and investment property	(4,787)	–	**(4,787)**	(4,467)
Labour-related business interruption	–	–	**–**	(41,443)
Severance and other staff-related costs	–	(9,836)	**(9,836)**	(15,151)
Other costs including advisory	–	(7,307)	**(7,307)**	(13,231)
Net impairment, disposal and restructuring-related costs	**(11,775)**	**(17,143)**	**(28,918)**	**(432,608)**

Impairment and disposal-related costs

Net loss on disposal of businesses and impairment of disposal groups held for sale

During the year ended 31 July 2019, the Group disposed of two non-core businesses in Europe, which had been accounted for as part of disposal groups held-for sale at July 2018. As the €3.1m proceeds received, net of associated transaction costs, was less than the €7.1m carrying value of the assets disposed, combined with a €1.0m cumulative foreign currency translation loss since the initial investment, a loss on disposal of €5.0m was recognised.

During the year ended 31 July 2018, a €48.8m loss on impairment of disposal groups held-for-sale had been recognised in relation to these two non-core businesses. In addition, during January 2018, the Group disposed of a business in Europe, which resulted in a €1.4m gain on disposal.

During the year ended 31 July 2018, the Group agreed to dispose of the Cloverhill Chicago and Cicero facilities in North America. A loss on disposal of €135.9m was recognised

Financial and Business Review (continued)

during the year ended 31 July 2018 related to these facilities. During the year ended 31 July 2019, the Group recognised an additional €2.0m loss in North America, on the finalisation of the Cloverhill Chicago and Cicero disposals.

Impairment of goodwill
There was no impairment of goodwill during the year ended 31 July 2019.

Following significant reductions in estimated profitability, the Group recorded a €175.0m goodwill impairment charge in Germany during the year ended 31 July 2018. Further detail on the prior year goodwill impairment is included in note 14 in the IFRS financial statements on pages 126 to 129.

Impairment and disposal of fixed assets and investment property
During the year ended 31 July 2019, the Group incurred a net loss on the disposal and impairment of various fixed assets and investment properties totalling €4.8m (2018: €4.5m).

Restructuring-related costs

Prior year labour-related business interruption costs
The €16.3m of labour-related business interruption costs experienced in the North America Cloverhill facilities during the last three months of the financial year ended 31 July 2017 continued into the financial year ended 31 July 2018, during which the group incurred €41.4m of further losses. As these businesses have since been disposed of, no such costs were incurred during the year ended 31 July 2019.

Severance and other staff-related costs
During the year ended 31 July 2019, the Group incurred €9.8m (2018: €15.2m) in severance and other staff-related costs. These costs primarily related to employees whose services were discontinued following certain rationalisation decisions across the various business locations of the Group as part of the implementation of Project Renew.

Other costs including advisory
During the year ended 31 July 2019, the Group incurred €7.3m in costs related to the design and implementation of Project Renew across Europe and North America.

During the year ended 31 July 2018, the Group incurred €13.2m in costs related to the reorganisation of the North America business and a group-wide strategic business review.

Financial and Business Review (continued)

10 Cash generation

in EUR `000	FY 2019	FY 2018
Underlying EBITDA	307,508	301,822
Working capital movement	(26,463)	(33,470)
Working capital movement from debtor securitisation[1]	(13,842)	(19,430)
Capital expenditure	(85,397)	(87,146)
Renew capital expenditure	(19,524)	–
Proceeds from sale of fixed assets and investment property	6,000	15,945
Restructuring-related cash flows	(24,746)	(69,884)
Operating free cash generation	**143,536**	**107,837**
Dividends received from joint venture	–	91,018
Hybrid instrument dividend paid	–	–
Interest and income tax	(85,704)	(82,354)
Recognition of deferred income from government grants	(3,937)	(3,871)
Other	(1,137)	(2,167)
Cash flow generated from activities	**52,758**	**110,463**

1 Total debtor balances securitised as of 31 July 2019 is €190m (2018: €199m).

11 Net debt and investment activity

in EUR `000	FY 2019	FY 2018
Opening net debt as at 1 August	**(1,510,264)**	**(1,733,870)**
Cash flow generated from activities	52,758	110,463
Disposal of businesses, net of cash and finance leases	3,129	101,599
Disposal of joint venture	–	34,948
RCF termination costs	–	(12,415)
Proceeds from issue of shares	739,505	–
Foreign exchange movement	(11,336)	(4,716)
Other[1]	(7,068)	(6,273)
Closing net debt as at 31 July	**(733,276)**	**(1,510,264)**

1 Other comprises primarily amortisation of upfront financing costs.

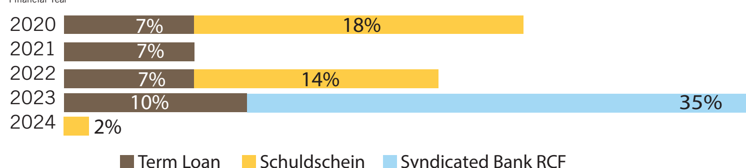
As of 31 July 2019, the Group's gross term debt financing facilities, related capitalised upfront borrowing costs, finance leases, net of overdrafts and cash balances were as follows:

in EUR '000	July 2019
Syndicated Bank RCF	(394,179)
Term loan facility	(353,368)
Schuldschein	(385,284)
Gross term debt	**(1,132,831)**
Upfront borrowing costs	21,966
Term debt, net of upfront borrowing costs	**(1,110,865)**
Finance leases	(291)
Cash and cash equivalents, net of overdrafts	377,880
Net debt	**(733,276)**

Financial and Business Review (continued)

As of 31 July 2019, the weighted average interest cost of the Group debt financing facilities is 1.7% (2018: 3.2%) and the weighted average maturity of the Group gross term debt is 2.2 years.

Gross Term Debt Maturity Profile
July 2019



Following the amendment of the Group's Syndicated Bank Facilities Agreement in September 2018, and successful completion of the capital raise during November 2018, the group's financial covenants are now as follows:

- Leverage covenant (Net Debt: EBITDA):
  - maximum 3.5x
- Interest cover covenant (EBITDA: Net interest, including Hybrid dividend):
  - minimum 2.0x until July 2019
  - minimum 3.0x thereafter

The Group's key financial ratios were as follows:

	July 2019	July 2018
Net Debt: EBITDA[1]	2.43x	3.83x
EBITDA: Net interest, including Hybrid dividend[1]	3.45x	3.72x

1 Calculated as per Syndicated Bank Facilities Agreement terms.

Capital raise

During November 2018, the Group completed a capital raise, by way of a rights issue, in order to strengthen the balance sheet, provide necessary liquidity and working capital funding and to enable delivery of ARYZTA's three year turnaround plan, Project Renew. Upon approval by the shareholders at the General Meeting on 1 November 2018, a total of 900,184,940 registered shares with a nominal value of CHF 0.02 each were offered to ARYZTA's existing shareholders on a 10 for 1 share basis, at a discounted offer price of CHF 1.00 per share.

The gross proceeds received upon completion of the rights issue were €795.8m. This resulted in €739.5m, net of transaction costs, which was recognised within equity during the year ended 31 July 2019, of which €15.8m is recognised within share capital, and €723.7m within share premium.

Financial and Business Review (continued)

12 Hybrid funding

As of 31 July 2019, the Group has €866.3m of Hybrid funding principal outstanding, as reflected in the table below.

Perpetual Callable Subordinated Instruments		Coupon	Coupon rate if not called	in EUR '000
Not called	CHF 400m	5.3%	6.045% +3 Month Swiss Libor	(362,355)
Not called	EUR 250m	6.8%	6.77% +5 Year Euro Swap Rate	(250,000)
First call April 2020	CHF 190m	3.5%	4.213% +3 Month Swiss Libor	(172,119)
Hybrid funding principal outstanding at 31 July 2019 exchange rates				**(784,474)**
Hybrid instrument deferred dividends				(81,846)
Total hybrid funding outstanding at 31 July 2019 exchange rates				**(866,320)**

As the instruments have no maturity date and repayment is at the option of ARYZTA, these perpetual callable subordinated instruments are recognised within other equity reserves at historical cost, net of attributable transaction costs, until such time that management and the Board of Directors have approved settlement of the applicable instrument. Any difference between the amount paid upon settlement of these instruments and the historical cost is recognised directly within retained earnings.

Dividends on these Hybrid instruments accrue at the coupon rate applicable to each respective instrument on an ongoing basis; however, a contractual obligation to pay these dividends in cash only arises when a Compulsory Payment Event, such as payment of a cash dividend to equity shareholders, has occurred within the last twelve months.

Because the Group has not paid a cash dividend to equity shareholders during the last 12 months, as of 31 July 2019 the Group is under no contractual obligation to pay the Hybrid instrument dividends in cash. Therefore, these deferred dividends have not been accrued as separate financial liabilities, but instead remain within equity, in accordance with IAS 32 'Financial Instruments'. Should a Compulsory Payment Event occur in the future, all Hybrid instrument deferred dividends will become due in cash.

Movements related to the Hybrid instrument deferred dividends over the last two years were as follows:

in EUR `000	FY 2019	FY 2018
Balance at 1 August	(41,071)	(9,032)
Hybrid instrument deferred dividend	(38,902)	(32,057)
Translation adjustments	(1,873)	18
Balance at 31 July	**(81,846)**	**(41,071)**

13 Foreign currency

The principal euro foreign exchange currency rates used by the Group for the preparation of these Financial Statements are as follows:

Currency	Average 2019	Average 2018	% Change	Closing 2019	Closing 2018	% Change
CHF	1.1310	1.1629	2.7%	1.1039	1.1578	4.7%
USD	1.1378	1.1951	4.8%	1.1149	1.1651	4.3%
CAD	1.5055	1.5210	1.0%	1.4672	1.5219	3.6%
GBP	0.8825	0.8863	0.4%	0.8955	0.8888	(0.8)%

Financial and Business Review (continued)

14 Return on invested capital

in EUR million	ARYZTA Europe	ARYZTA North America	ARYZTA Rest of World	ARYZTA Group
2019				
Segmental net assets	1,315	1,341	175	2,831
TTM EBITA	101	41	31	173
ROIC[1,2]	7.7%	3.0%	17.8%	6.1%
2018				
Segmental net assets	1,354	1,331	177	2,862
TTM EBITA	102	34	30	166
ROIC[1,2]	7.6%	2.6%	17.0%	5.8%

1 See glossary in section 20 for definitions of financial terms and references used.

2 Group WACC on a pre-tax basis is currently 8.5% (2018: 8.5%).

15 Net assets, goodwill and intangibles

in EUR `000	July 2019	July 2018
Property, plant and equipment	1,248,835	1,243,692
Investment properties	12,185	14,574
Goodwill and intangible assets	1,964,298	2,057,703
Deferred tax on goodwill and intangibles	(81,634)	(104,075)
Working capital	(246,838)	(285,830)
Other segmental liabilities	(66,170)	(71,047)
Assets of disposal groups held-for-sale	–	7,000
Segmental net assets	2,830,676	2,862,017
Investments in joint ventures	447,678	420,016
Net debt	(733,276)	(1,510,264)
Deferred tax, net excl. tax on goodwill and intangibles	(43,100)	(33,842)
Income tax payable	(65,528)	(65,506)
Derivative financial instruments	(303)	439
Net assets	**2,436,147**	**1,672,860**

16 Dividend

No dividend is planned to be proposed for the year ended 31 July 2019. No dividend was proposed or paid for the year ended 31 July 2018.

The dividend for the year ended 31 July 2017 was approved at the Annual General Meeting held on 7 December 2017, to be settled as a scrip dividend via newly issued share capital, based on a ratio of one new share for every 80 shares held. Accordingly, a total of 1,110,253 new shares, with a par value of CHF 0.02 per share, were issued to shareholders holding shares in ARYZTA AG on 29 January 2018, resulting in €33,962,000 being recognised within equity, based on the market price of the shares at the date of approval.

Financial and Business Review (continued)

17 Post balance sheet events – after 31 July 2019

As announced on 4 October 2019, the Group received a binding offer from Invest Group Zouari ('IGZ') to purchase 43.3% of its 47.8% holding in Picard for gross consideration of €156m. ARYZTA would retain a 4.5% interest in Picard, to be recorded as a financial investment at fair value. The transaction is subject to a works council consultation process in France and to customary regulatory approvals. Subject to ARYZTA's acceptance of the offer following completion of the works council consultation process, the transaction is expected to close in the last quarter of calendar year 2019. Upon completion, the proposed transaction is expected to generate a material one-off non-cash accounting loss, currently estimated to be c. €280m based on year end 2019 carrying value. This loss could change depending on the timing of when the proposed transaction closes, as the results for Picard would continue to be consolidated under the equity method of accounting until then.

During October 2019, the Group completed the disposal of its UK Food Solutions business within the Europe operating segment for gross consideration of €8m. The transaction is expected to result in a loss relating to derecognition of goodwill and recycle of cumulative foreign currency translation loss since the initial investment.

These disposals are consistent with ARYZTA's strategy to focus on its frozen B2B bakery operations and exit non-core businesses.

In Switzerland, changes to the Swiss federal and the canton of Zurich tax laws, which eliminated certain favourable tax regimes, were substantively enacted in May and September 2019 respectively. As substantive enactment at the Zurich cantonal level had not taken place until after the reporting date of 31 July 2019, no adjustments to ARYZTA's deferred tax position have been reported in the balance sheet.

If reflected, this would have led to an estimated €11m additional deferred tax expense and would have resulted in no change in current tax expense. Changes in the tax laws in other Swiss cantons in which the Group operates are still under discussion.

18 Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. The Board considers the risks and uncertainties disclosed on page 71 to continue to reflect the principal risks and uncertainties of the Group.

19 Forward looking statement

This report contains forward looking statements, which reflect management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Financial and Business Review (continued)

20 Glossary of financial terms and references

'Organic revenue' – presents the revenue movement during the period, excluding impacts from acquisitions/(disposals) and foreign exchange translation.

'Underlying EBITDA' – presented as earnings before interest, taxation, depreciation and amortisation; before impairment, disposal and restructuring-related costs.

'Underlying EBITA' – presented as earnings before interest, taxation and non-ERP related intangible amortisation; before impairment, disposal and restructuring-related costs.

'ERP' – Enterprise Resource Planning intangible assets include the Group SAP system.

'Joint ventures underlying net profit' – presented as profit from joint ventures, net of interest and tax, before non-ERP amortisation and the impact of associated non-recurring items.

'Hybrid instrument' – presented as Perpetual Callable Subordinated Instruments, which have no contractual maturity date and for which the Group controls the timing of settlement; therefore, these instruments are accounted for as equity instruments in accordance with IAS 32 'Financial Instruments'.

'Underlying net profit' – presented as reported net profit, adjusted to include the Hybrid instrument dividend as a finance cost; before non-ERP related intangible amortisation; before RCF and private placement early redemption-related costs and before impairment, disposal and restructuring-related costs, net of related income tax impacts. The Group utilises the underlying net profit measure to enable comparability of the results from period to period, without the impact of transactions that do not relate to the underlying business.

'Segmental Net Assets' – Excludes joint ventures, all bank debt, cash and cash equivalents and tax balances, with the exception of deferred tax liabilities associated with acquired goodwill and intangible assets, as those deferred tax liabilities represent a notional non-cash tax impact directly linked to segmental goodwill and intangible assets recorded as part of a business combination, rather than an actual cash tax obligation.

'ROIC' – Return On Invested Capital is calculated using a pro-forma trailing twelve month segmental Underlying EBITA ('TTM EBITA') reflecting the full twelve month contribution from acquisitions and full twelve month deductions from disposals, divided by the respective Segmental Net Assets, as of the end of each period.